



TVA

THE POWER OF COMMITMENT



TVA

DAVID N. SMITH
*EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER*



Measuring TVA's Financial Health

Debt Reduction

Operating Cost

Cash Flow

Debt Burden

Interest Coverage

Market Value
Capitalization
Comparison

Comparative
Capital
Structures



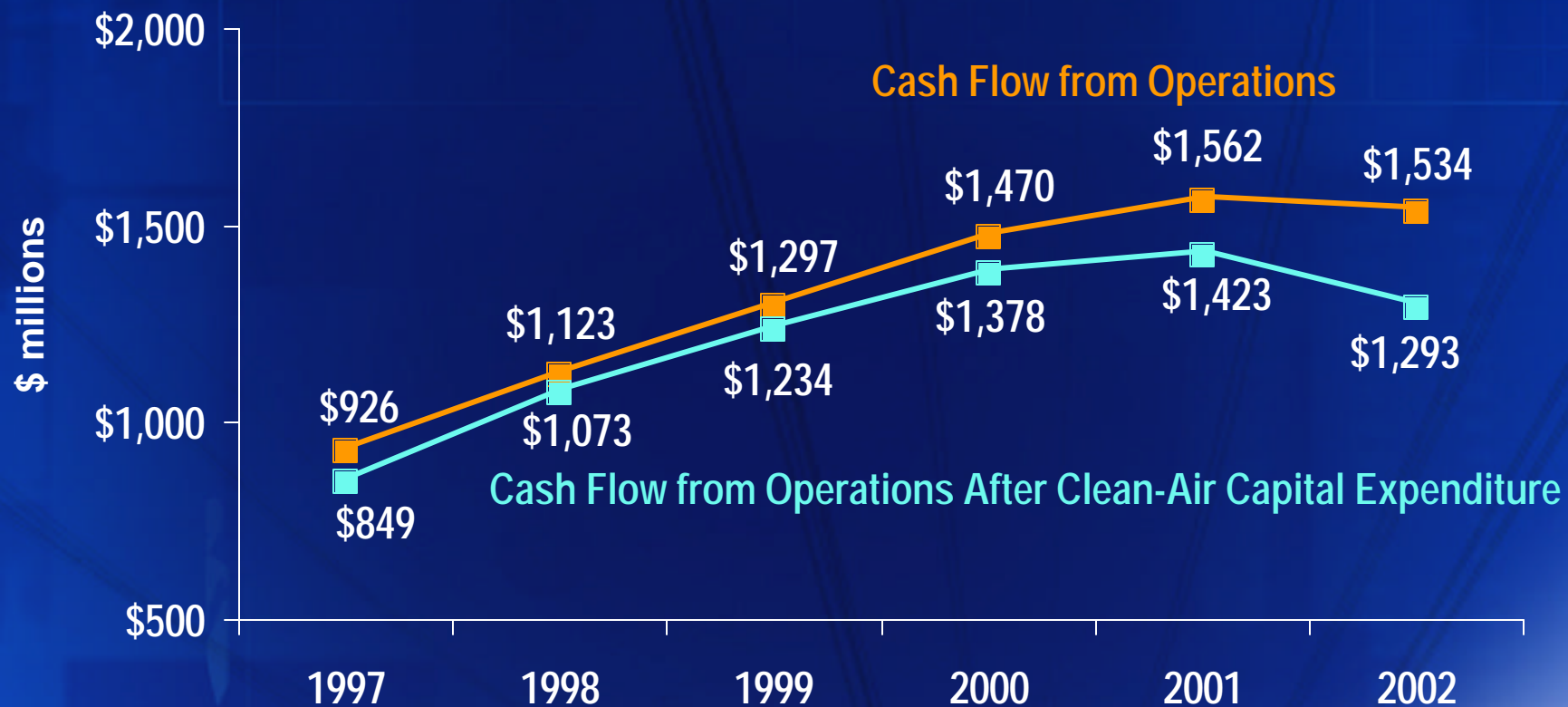
Interest Coverage

Interest Coverage = (Net Operating Cash Flow + Interest on Debt) / Interest on Debt



Cash Flow from Operations

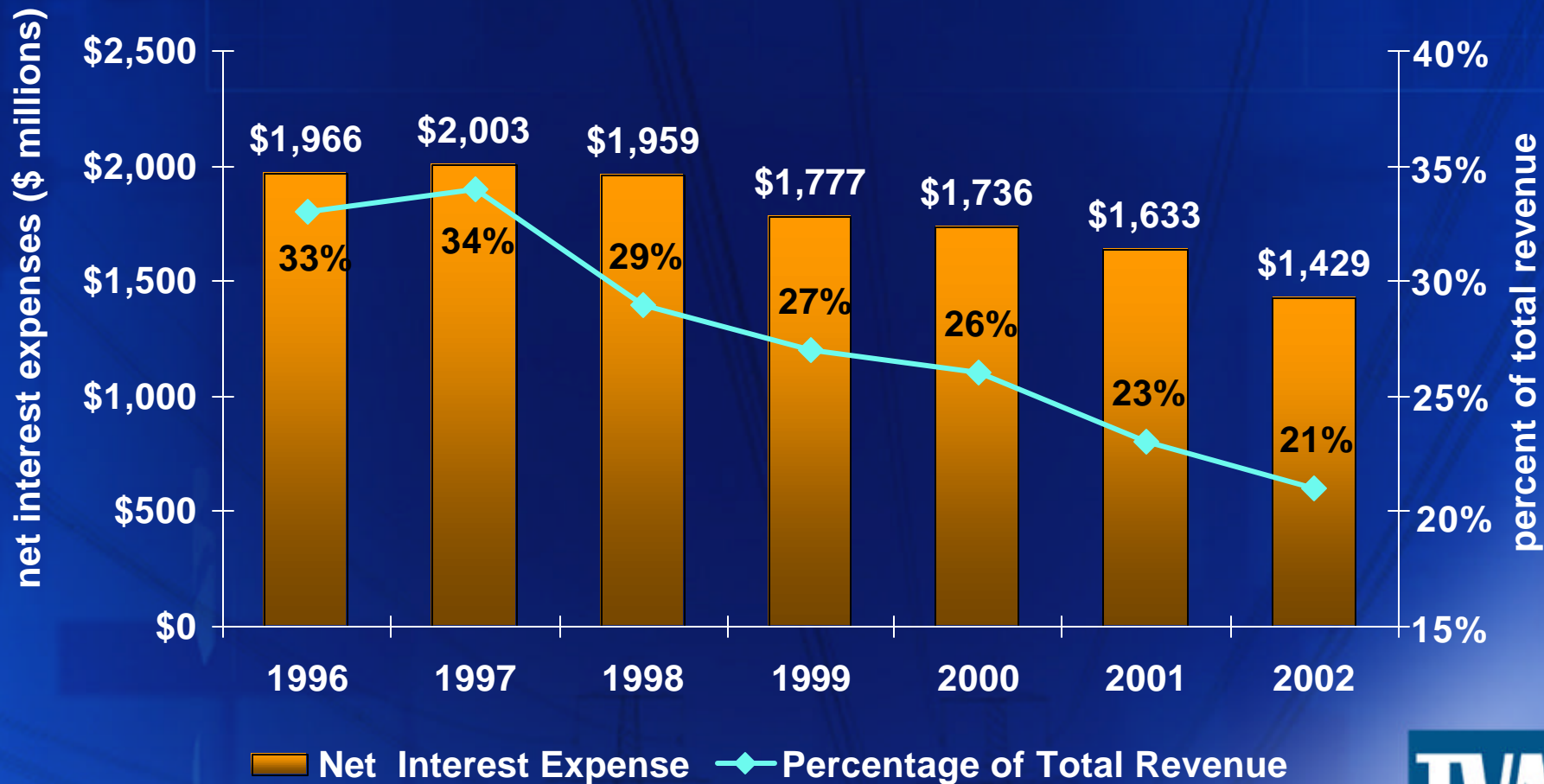
3 Year Trailing Average



Pollution Control Equipment Investment

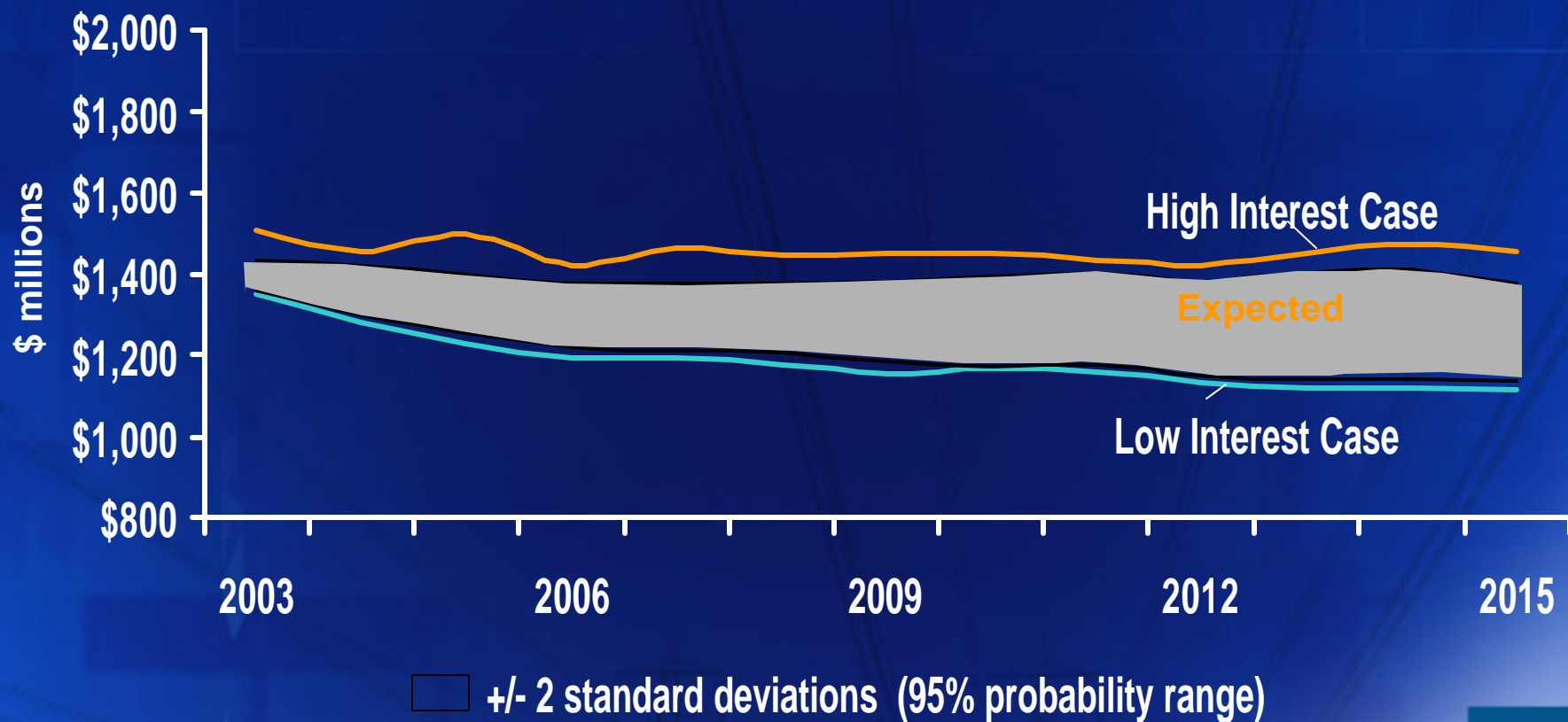


Net Interest Expense as a Percentage of Total Revenues



Interest Rate Risk

Interest Expense with \$300 Million Debt Reduction per Year



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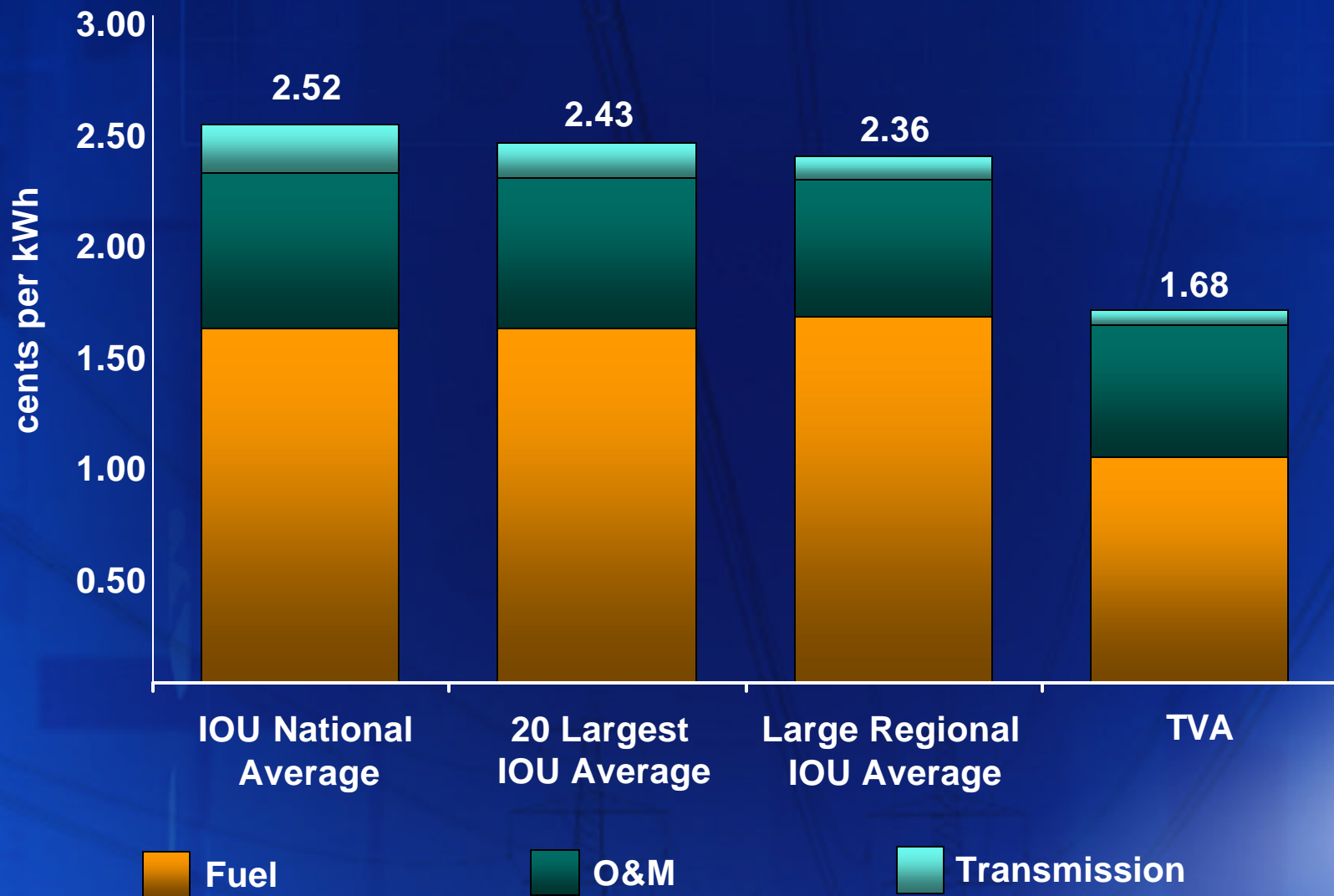
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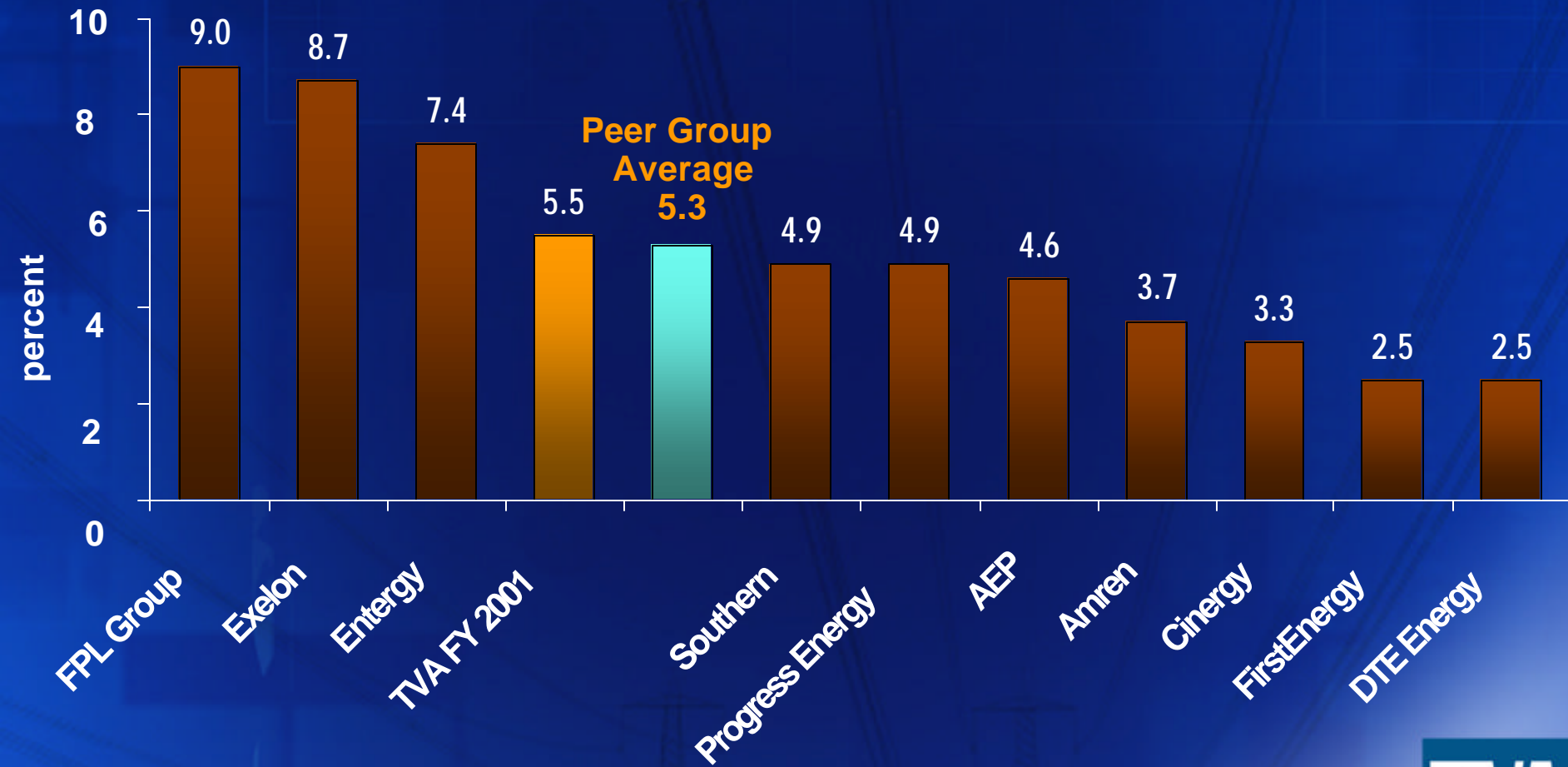


2001 Average Transmission & Production Operating Costs

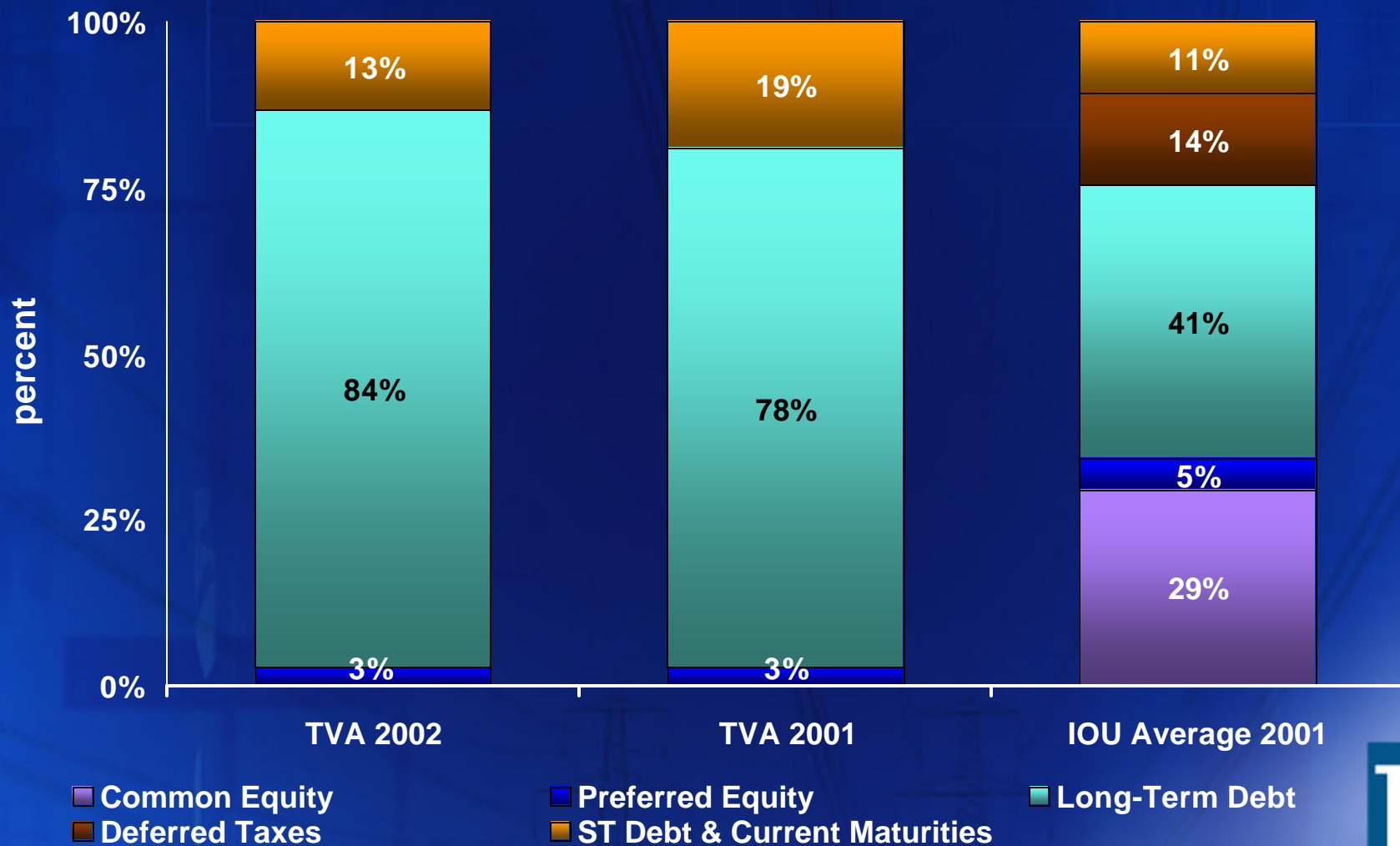


Cash Return on Assets

Cash Return on Assets = (Operating Cash Flow - Dividends) / Total Assets

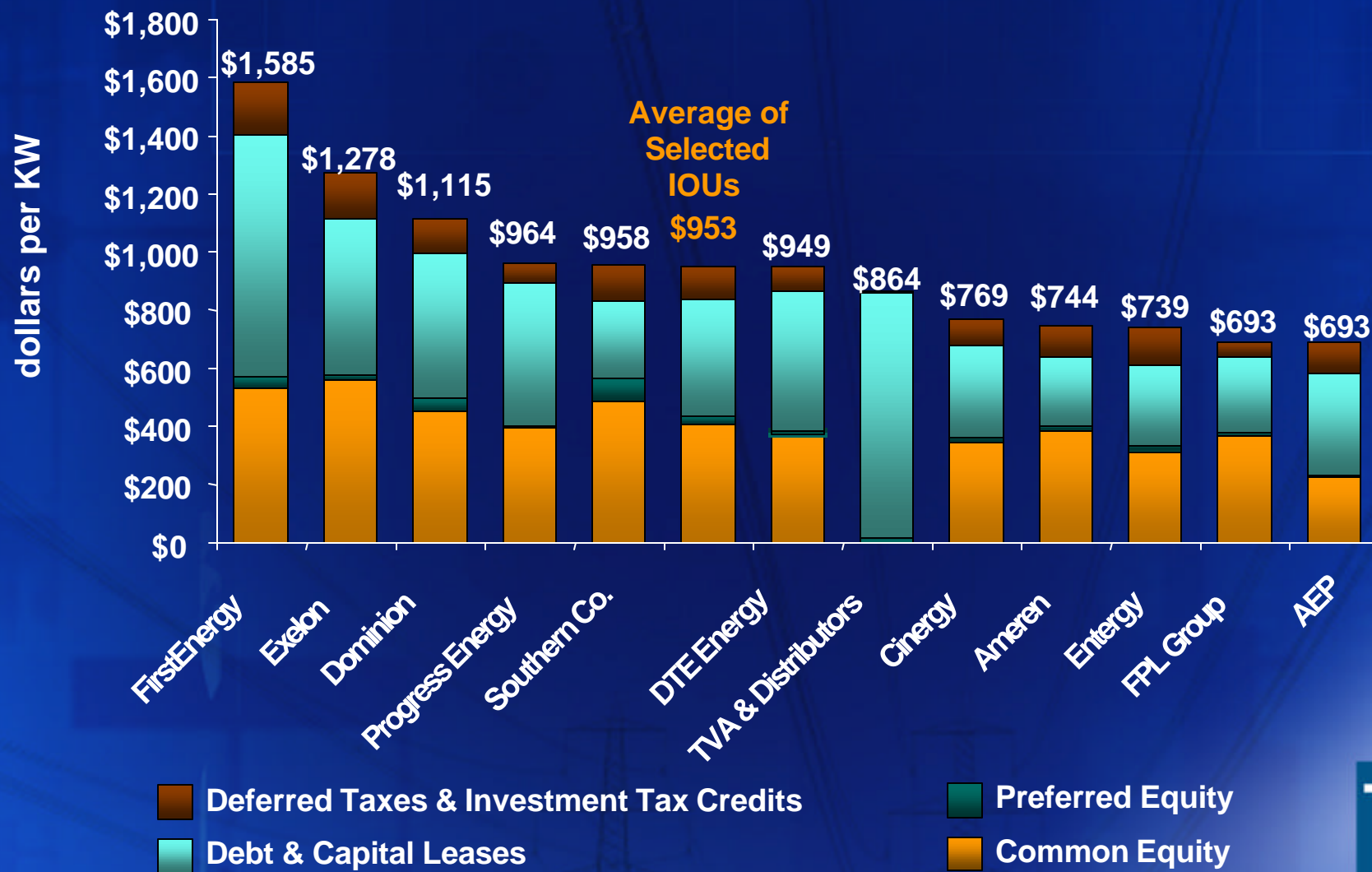


Comparative Capital Structures

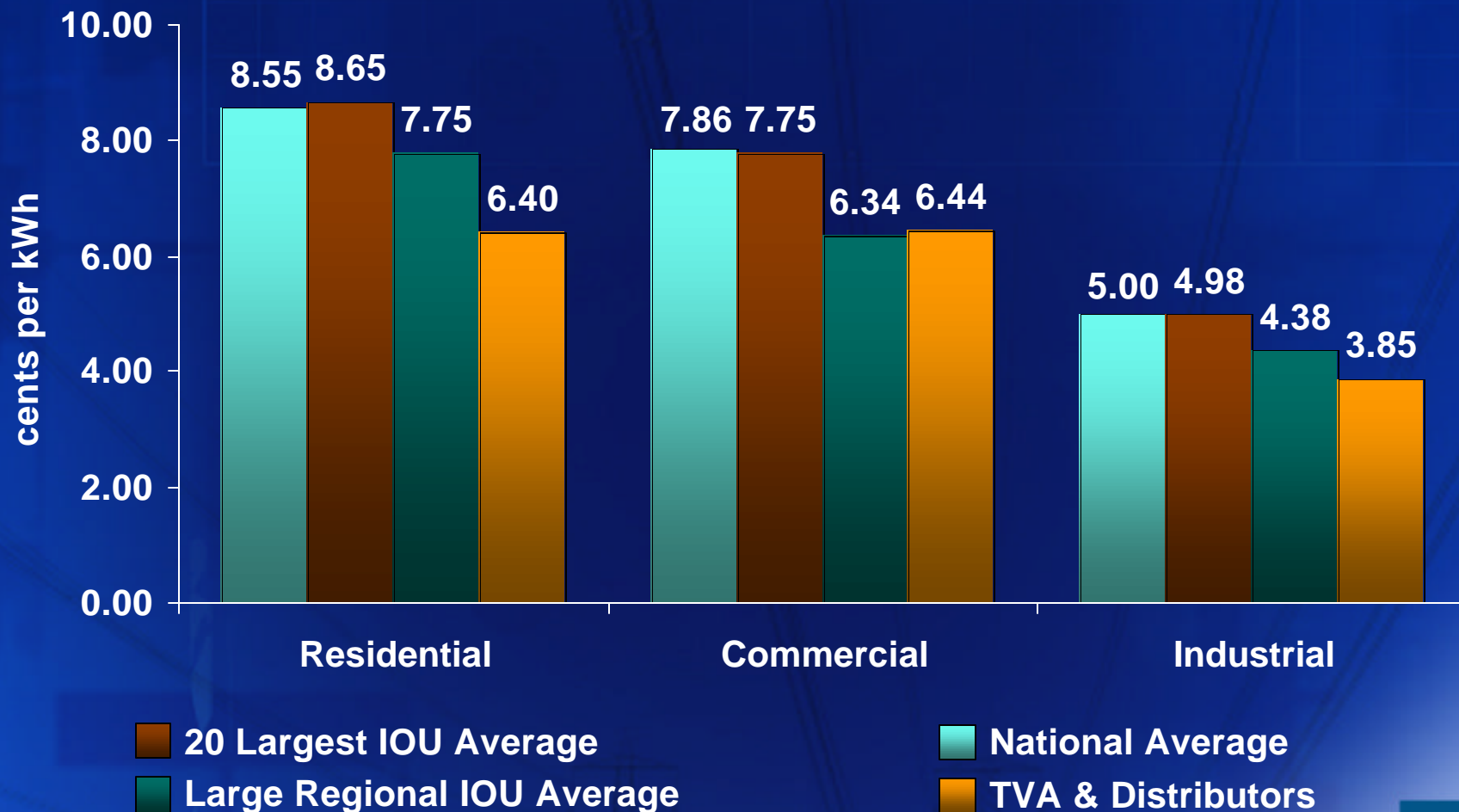


Electric Power System Market Value Capitalization Per Kilowatt (KW) of Installed Nameplate Capacity

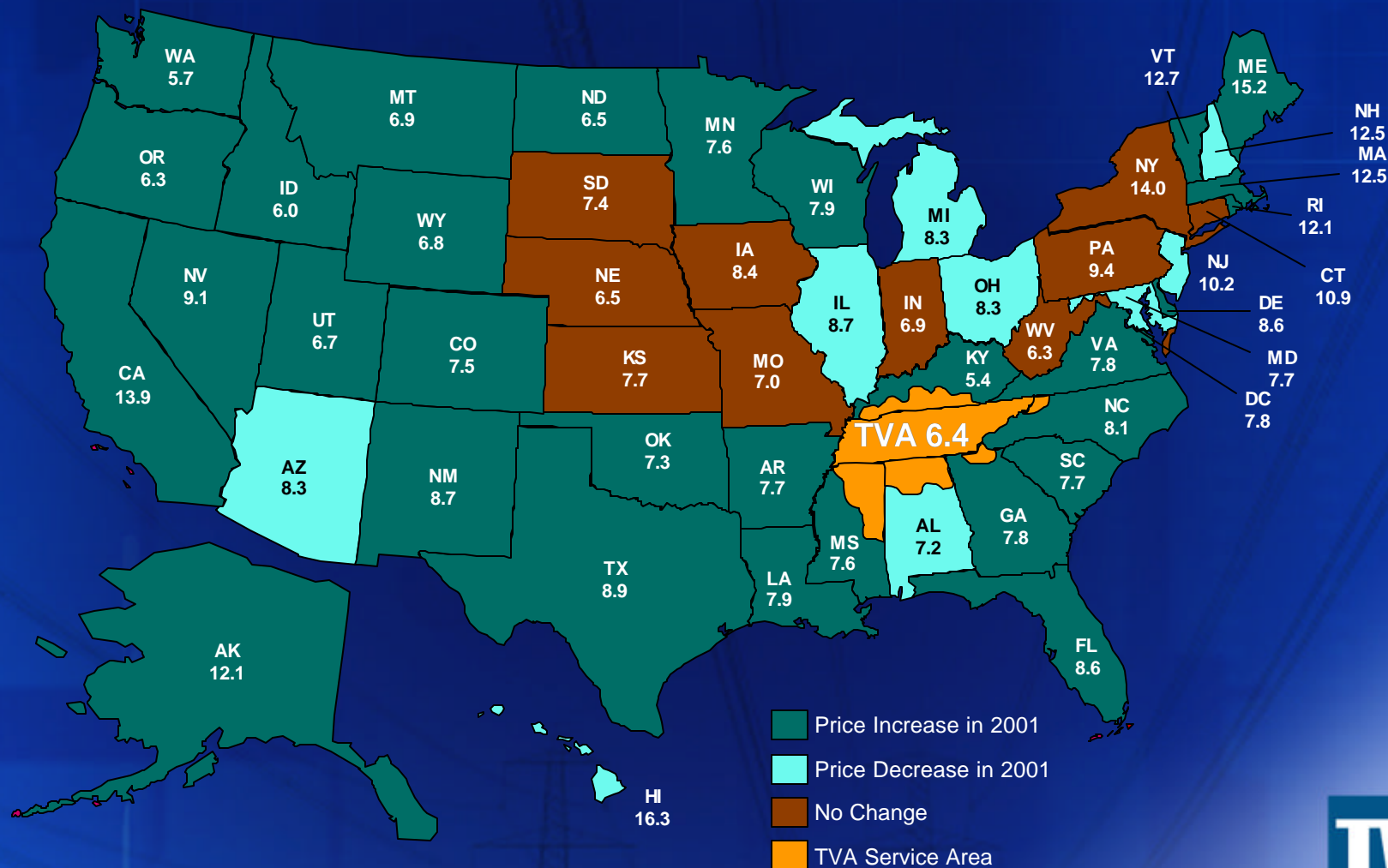
at September 30, 2002



2001 Average Price Comparison



2001 Average Residential Electricity Price Comparison (Cents per kWh)



Strategic Planning

Merchant Plant Activity

Transmission Additions

Regulatory Environment

Environmental Controls

Fuel Supply

Power Demand

Technology



Sarbanes-Oxley

- Strengthened Corporate Accountability
- Enhanced Financial Disclosure
- Increased Auditor Independence





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